

**MOUNTAIN VIEW  
HOTEL MARKET  
UPDATE SUMMARY**

**JANUARY 2001**

**Prepared for:  
CITY OF MOUNTAIN VIEW**

**Prepared by:  
Sedway Group**

## MOUNTAIN VIEW HOTEL MARKET

### Regional Context

The Mountain View hotel market area is located within the larger San Jose/Peninsula market, which roughly corresponds to the southwestern portion of the San Francisco Bay Area commonly referred to as Silicon Valley. The San Jose/Peninsula market encompasses cities bordering or near San Francisco Bay, stretching from the City of San Mateo in San Mateo County to the City of San Jose in Santa Clara County. Other markets within the San Francisco Bay Area include the San Francisco, San Francisco Airport, Oakland/East Bay and Marin hotel markets. PKF Consulting regularly tracks data for each of these areas.

The San Jose/Peninsula market has been a consistently strong performer over the past several years, second in the Bay Area only to San Francisco in terms of average daily rate performance. The table below provides summary information comparing the San Jose/Peninsula market to the other Bay Area hotel markets for the year 2000.

<b>BAY AREA HOTEL MARKETS RELATIVE PERFORMANCE INDICATORS TWELVE MONTHS ENDED DECEMBER 2000</b>		
<b>Bay Area Market</b>	<b>Average Daily Room Rate</b>	<b>Occupancy Rate</b>
San Francisco	\$169.72	81.9%
San Jose/Peninsula	\$161.90	79.6%
San Francisco Airport	\$140.55	82.6%
Marin	\$136.91	79.3%
<u>Oakland/East Bay</u>	<u>\$114.31</u>	<u>75.3%</u>
Overall Northern California Average <sup>1</sup>	\$145.35	78.3%

**Note:**

1) Also includes the Monterey/Carmel, Central Valley, Sacramento, and other Northern California markets.

Sources: PKF Consulting and Sedway Group.

### Local Market Performance

The Mountain View hotel market area is defined to include the cities of Redwood City, Menlo Park, Palo Alto, Los Altos, Mountain View, Sunnyvale, Santa Clara, and Cupertino. Seventeen quality hotels totaling over 4,750 rooms currently exist in this market area (see Exhibit 1). The performance of these hotels over the past seven years is exceptional, as indicated in Exhibit 2. In every year since 1994, the hotels have achieved average occupancy over 75 percent. Data through November 2000, the latest available at press time, indicate that 2000 occupancy levels will be at or near 80 percent. Similarly, average daily room rates have risen consistently from \$85.72 in 1993 to \$182.97 through

November of 2000, a compound growth rate of over eleven percent per year. Further, the combination of increases in occupancy levels and average daily room rates at these quality hotels has resulted in a nearly 20 percent increase in total room revenues from the end of 1999 through the first eleven months of 2000 (\$180 million in 1999 versus \$215 million through November 2000).

The seventeen quality hotels in the Mountain View market area offer a range of product types and business services. The hotels can be grouped in three general categories, “highest quality hotels,” “medium quality hotels,” and “convention/conference hotels,” each of which are explained below. Exhibit 1 provides more detail on each hotel.

***Highest Quality Hotels.*** Six hotels, totaling 1,303 rooms, have been identified as the highest quality in the market area. Four are located in Palo Alto (the Stanford Park Hotel, the Garden Court Hotel, the Crowne Plaza Cabana, and the Westin Palo Alto), one in Redwood City (the Hotel Sofitel), and one in Santa Clara (the Santa Clara Hilton, near the Santa Clara Convention Center). These facilities are distinguished from medium-quality hotels by superior architectural design, landscaping and finishes; access to many executive business services, such as a business center or secretarial services; and room amenities, such as bay views, fireplaces, fax/copy machines, T-1 lines, refrigerators, and VCRs.

The hotels range in size from the 62-room, boutique-style Garden Court Hotel to the 421-room Hotel Sofitel. Quoted weekday room rates range from \$280 to \$550. Each of the hotels offers some level of meeting space, ranging from just over 3,000 square feet at the Westin Palo Alto to nearly 13,000 square feet at the Hotel Sofitel. The Westin Palo Alto and the Santa Clara Hilton both opened within the last 12 months.

***Medium Quality Hotels.*** Nine medium-quality hotels totaling 2,191 rooms were identified in the market area. They are located in Palo Alto (Dinah’s Garden Hotel, the Sheraton Palo Alto, and the Hyatt Rickeyes), Sunnyvale (Summerfield Suites Hotel, Four Points by Sheraton, and the Grand Hotel), and Santa Clara (the Biltmore Hotel & Suites, Embassy Suites Hotel, and Quality Suites). These products offer guests somewhat fewer and lower quality amenities and services than the highest quality hotels. Two of the hotels, Dinah’s Garden Hotel in Palo Alto and the Grand Hotel in Sunnyvale, are distinguished from the others by their unique, boutique-style character and occupy specialized niches in the hotel market.

The hotels range in size from the 375-room Four Points by Sheraton in Sunnyvale (formerly the Sunnyvale Hilton) to the 104-room Grand Hotel in Sunnyvale. Quoted weekday room rates typically fall in the \$125 to \$375 range, though some suites at Dinah’s Garden Court and the Hyatt Rickeyes range up to \$650. Meeting space ranges from none at the Grand Hotel to 20,000 square feet at the Hyatt Rickeyes in Palo Alto. Several of these products have been renovated recently in response to increased competition in the market.

***Convention/Conference Hotels.*** The two convention/conference-oriented hotels are both located near the 262,000-square-foot Santa Clara Convention Center. The Marriott Santa Clara is the largest hotel in the market area, with 758 rooms. The Westin is also large at 505 guestrooms. Each of the hotels offers guests many business services, a restaurant and lounge/coffee bar, a heated pool, spa, sauna, and tennis courts. The Westin also provides its guests access to the nearby 18-hole municipal golf course. Quoted weekday standard room rates range from \$299 to \$354, with suites costing up to \$700. The Marriott offers 23,000 square feet of meeting space and the Westin offers 49,000 square feet. Both of

these hotels had plans in 1998 to expand the number of rooms, but decided instead to focus their investments on comprehensive renovation of the existing facilities.

### **Local Development Activity**

Most of the 1,654 rooms at various stages of planning shown in Exhibit 3 are within limited service projects, and the entire portion under construction (271 rooms) is within limited service projects. Among the 1,654 hotel rooms in planning, 520 are expected to target the full-service market. This includes the 302 rooms of the Hyatt Richeys in Palo Alto and the 200 rooms planned by the Kimpton Group in Cupertino. Another 230-room hotel project planned in East Palo Alto may also target the upper end of the market, though the timing and concept of this project are indefinite. It should be noted that the 302 rooms of the Hyatt Richeys actually represent redevelopment of the existing hotel rather than the addition of net new rooms to the local supply. The Hyatt Richeys currently occupies an older structure spread over 22 acres. The proposed concept is to redevelop the existing hotel and essentially double the density of the site by adding 320 multifamily units. Major environmental clearances are still required before the project can move forward.

## **ASSUMPTIONS AND GENERAL LIMITING CONDITIONS**

Sedway Group has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although Sedway Group believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

This report may not be used for any purpose other than that for which it is prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through publication advertising media, public relations, news media, sales media, or any other public means of communication without prior written consent and approval of Sedway Group.

**EXHIBIT 1**  
**CHARACTERISTICS OF QUALITY HOTELS**  
**MOUNTAIN VIEW AREA<sup>1</sup>**  
**JANUARY 2001**

Name/ No. Location	AAA Stars Rating <sup>2</sup>	Year Opened	Number of Rooms	Sq. Ft. Meeting Space	Quoted Weekday Rooms Rates		Comments, Amenities, Services
					Suites		
1 Hotel Sofitel 223 Twin Dolphin Drive Redwood City	****	1987	421	12,985	\$349 - \$399	\$369 - \$449	Interior corridors. Some rooms with lagoon/bay views; day spa and salon; pool, sauna, exercise room; French restaurant, cocktail lounge; data ports, secretarial services, valet laundry, airport transportation.
2 Stanford Park Hotel 100 El Camino Real Menlo Park	****	1984	162	4,350	\$280 - \$375	\$335 - \$495	Interior corridors. Business center. Some rooms with fireplaces; pool, sauna, whirlpool, exercise room; restaurant and cocktail lounge; data ports, secretarial services; some rooms with coffeemakers and refrigerators.
3 Garden Court 520 Cowper Street Palo Alto	N/A	1986	62	5,536	\$280 - \$350	\$325 - \$500	Interior corridors. High-amenity boutique hotel in downtown Palo Alto. Fitness center; in-room fax/copy machines and T-1 lines; some rooms with fireplaces and Jacuzzis.
4 Crowne Plaza Cabana Palo Alto 4290 El Camino Real Palo Alto	N/A	1997	194	12,000	\$299 - \$399	\$399 - \$550	Interior corridors. Fitness center; outdoor pool. Due to overall costs of recent renovation, a spa will not be developed until a future date.
5 Dinah's Garden Hotel 4261 El Camino Palo Alto	***	N/A	148	4,000	\$230 - \$295	\$375 - \$650	Exterior corridors. Two swimming pools, several lagoons, a Japanese garden; fitness center, sauna; poolside restaurant and lounge. Some rooms have private decks, balconies, refrigerators or full kitchens, wet bars.
6 Sheraton Palo Alto 625 El Camino Real Palo Alto	***	1972	342	9,562	\$169 - \$360	\$269 - \$360	Opposite Stanford University. Interior corridors, landscaped grounds, business center, 9 meeting rooms.
7 Hyatt Rickeys 4219 El Camino Real Palo Alto	***	1955	344	20,000	\$120 - \$350	\$250 - \$650	Landscaped grounds, interior and exterior corridors, some fireplaces, putting green. All guest rooms renovated as of June 1999.
8 Westin Hotel 675 El Camino Real Palo Alto	NA	2000	184	3,300	\$329 - \$369	\$329 - \$475	Five courtyards and high-quality amenities.
9 Summerfield Suites Hotel 900 Hamlin Court Sunnyvale	N/A	1990	138	981	\$249 -	\$299	Interior corridors. All suites with kitchens; exercise room and outdoor swimming pool; on-site convenience store.
10 Four Points by Sheraton 1250 Lakeside Drive Sunnyvale	***	1979	375	16,000	\$199 - \$475	\$299 - \$475	Lagoon and colorfully landscaped grounds; interior corridors, heated pool, 15 meeting rooms. The hotel was previously a Hilton hotel until September 2000. Recent renovations to be completed in February 2001.

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**EXHIBIT 1**  
**CHARACTERISTICS OF QUALITY HOTELS**  
**MOUNTAIN VIEW AREA<sup>1</sup>**  
**JANUARY 2001**

Name/ No. Location	AAA Stars Rating <sup>2</sup>	Year Opened	Number of Rooms	Sq. Ft. Meeting Space	Quoted Weekday Rooms Rates		Comments, Amenities, Services
					Suites		
11 Grand Hotel 865 W. El Camino Real Sunnyvale	NA	2000	104	None	\$259 (rooms) \$289 (apmnts)		Includes 70 standard rooms, four suites, and 30 one-bedroom extended stay apartments. Interior corridors. Outdoor heated pool, jacuzzi, use of nearby 24-hour fitness facility, free breakfast buffet and evening cocktails, movie library, free limousine service to San Jose Airport. Extended stay units set up as one-bedroom apartments with full kitchen, bath, living room, etc.
12 Biltmore Hotel & Suites 2151 Laurelwood Road Santa Clara	***	1990	262	7,500	\$149 - \$269 -	\$179 \$269	Interior/exterior corridors. Heated pool, whirlpool, exercise room; restaurant and lounge; all rooms with honor bars, coffeemakers, microwaves, and refrigerators.
13 Embassy Suites Hotel 2885 Lakeside Drive Santa Clara	***	1985	257	4,490	\$289 - \$309 -	\$299 \$329	Interior corridors. Small indoor heated pool, sauna, whirlpool; fitness center; data ports; all rooms have coffeemakers and refrigerators.
14 Quality Suites 3100 Lakeside Drive Santa Clara	***	1991	221	1,000	\$250 -	\$250	Interior corridors. Heated pool, whirlpool, sports courts, fitness center; business center, data ports. All rooms have honor bars, coffeemakers, microwaves, and refrigerators.
15 Santa Clara Marriott 2700 Mission College Santa Clara	***	1976	758	23,000	\$309 - \$500 -	\$309 \$525	Interior corridors. Heated indoor/outdoor pool, whirlpool, 7 lighted tennis courts; 2 restaurants, cocktail lounge; data ports, secretarial services; some rooms with balconies, patios, coffeemakers, refrigerators, VCRs.
16 Westin Hotel Santa Clara 5101 Great America Parkway Santa Clara	****	1992	505	49,000	\$299 - \$375 -	\$319 \$700	Interior corridors. Heated pool, sauna, whirlpool; 18-hole golf course, 4 lighted tennis courts; dining room, restaurant, and cocktail lounge; business center, data ports, PC, secretarial services; all rooms have coffeemakers, some have honor bars, refrigerators.
17 Santa Clara Hilton 4949 Great America Parkway Santa Clara	****	2000	280	5,000	\$329 -	\$354	Next to the Santa Clara Convention Center and the Great America Theme Park. "Compact full-service hotel" with interior corridors and a business center. Outdoor heated pool, spa, and fitness center; restaurant and coffee bar. Access to 18-hole golf course, driving range, putting green and four lighted tennis courts; adjacent to Great America Light Rail station.
Total Rooms:			4,757				
Total Square Feet of Meeting Space:			178,704				
<u>Notes:</u> (1) Includes Mountain View, Redwood City, Menlo Park, Palo Alto, Sunnyvale, Santa Clara, Cupertino, Los Altos, and East Palo Alto. (2) Based on a 1 to 5 star system, five being the best.  Sources: Hotel operators; AAA; and Sedway Group. I:\Everyone\SF_BOXES\Lisa_G\Mountain View Files for PDF\[MVHotelData Ex 1.xls]Comps[CJD]							
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**EXHIBIT 2  
MARKET PERFORMANCE QUALITY HOTELS  
MOUNTAIN VIEW AREA<sup>1</sup>**

	1993	1994	1995	1996	1997	1998	1999	2000 <sup>2</sup>
<b>Average Annual Occupancy</b>	69.5%	75.1%	78.1%	80.3%	79.8%	75.8%	75.8%	81.3%
<b>Average Daily Room Rates<sup>3</sup></b>	\$85.72	\$89.02	\$97.44	\$111.55	\$132.27	\$150.35	\$160.19	\$182.97
<b>Percentage Change</b>	0.2%	3.8%	9.5%	14.5%	18.6%	13.7%	6.5%	13.9% <sup>4</sup>
<b>Revenues Per Available Room<sup>3</sup></b>	\$59.57	\$66.82	\$76.05	\$89.56	\$105.59	\$113.97	\$121.38	\$148.67
<b>Percentage Change</b>	8.7%	12.2%	13.8%	17.8%	17.9%	7.9%	6.5%	18.9% <sup>4</sup>
<b>Room Nights Available</b>	1,448,320	1,451,605	1,451,605	1,451,605	1,451,605	1,451,605	1,485,189	1,447,066
<b>Room Nights Demanded</b>	1,006,520	1,089,646	1,133,041	1,165,407	1,158,859	1,100,321	1,125,414	1,175,763
<b>Percentage Change</b>	8.5%	8.3%	4.0%	2.9%	-0.6%	-5.1%	2.3%	11.4% <sup>4</sup>
<b>Total Room Revenues<sup>3</sup></b>	\$86,280,531	\$96,998,472	\$110,401,483	\$130,003,087	\$153,281,787	\$165,437,190	\$180,277,732	\$215,128,848
<b>Percentage Change</b>	8.7%	12.4%	13.8%	17.8%	17.9%	7.9%	9.0%	26.9% <sup>4</sup>

**Notes:**

(1) Includes all hotels listed in Exhibit 1, with the following exceptions and notes: data was available for the Stanford Park Hotel beginning January 1999, for the Crowne Plaza Cabana beginning October 1998, and for the Westin Palo Alto beginning May 2000. Data was unavailable for the Garden Court Hotel, Dinah's Garden Hotel in Palo Alto, the recently opened Grand Hotel in Sunnyvale, and the Santa Clara Hilton.

(2) 2000 data through November, the latest available information at press time.

(3) Values in current year dollars (not inflation adjusted).

(4) Year 2000 percentage change figures represent change over 12-month period from December 1998 through November 1999 versus December 1999 through November 2000; therefore, the percentage change is not calculated from the numbers in the 1999 column in this table.

Sources: Smith Travel Research; and Sedway Group.

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**EXHIBIT 3  
PLANNED AND PROPOSED HOTEL DEVELOPMENTS  
MOUNTAIN VIEW MARKET AREA<sup>1</sup>  
JANUARY 2001**

<b>No.</b>	<b>Project/ Location</b>	<b>City</b>	<b>Number of Rooms</b>	<b>Meeting Space (Sq. Ft.)</b>	<b>Status</b>	<b>Comments</b>
1	Hampton Inn 1836 El Camino Real	Redwood City	61	None	Under construction. Occupancy is expected by mid-2001.	Limited service hotel.
2	Marriott Towne Plaza Suites 1 Twin Dolphin Drive	Redwood City	95	None	Have received planning approvals. Building permit will likely be issued in February.	Towne Plaza Suites is Marriott's "junior" version of the extended-stay Residence Inn product. Will have full kitchens, workdesk, fitness center, sauna, and laundry.
3	University Circle NWC University Ave. & Woodland Ave.	East Palo Alto	230	NA	Basic site plans have been approved. The site has been cleared and the office portion of the project is under construction. The development agreement requires that a hotel be included, but no timeframe has been established for the development of the hotel and no operator has been selected by the developer.	Hotel is a part of a redevelopment project that includes 460,000 sq.ft. of office and 15,000 sq.ft. of ground floor retail on 12.2 acres. It is expected that the hotel component will include meeting room space; however, the hotel concept is still at a preliminary stage. The project is located on the West side of Highway 101.
4	Hyatt Richeys 4219 El Camino Real	Palo Alto	302	25,000	Proposed major redevelopment of an existing hotel. The city is reviewing a draft EIR and it is likely the program will change due to significant traffic and massing findings.	Solit Interest Group is the proposed developer. Current plans are to demolish the existing hotel, and redevelop the site with a new 302-room hotel and 320 multifamily residential units.
5	Unnamed motel Fairchild Drive near U.S. 101	Mountain View	50	None	Under construction.	Small limited service motel.
6	Unnamed motel 390 Moffett Blvd.	Mountain View	46	None	Planning approvals received. Currently under review by the building department.	Small limited service motel.
7	Marriott Residence Inn 4444 El Camino Real	Los Altos	160	1,500	Under construction.	The hotel will be 160,000 sq. ft. (2-3 floors) and occupy 2.3 acres of the site. The other 2.4 acres will be occupied by a 95,000 sq. ft. (3 floor) office building. There will be 500 underground parking spaces. Site is 4434-4444 El Camino Real.

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PLANNED AND PROPOSED HOTEL DEVELOPMENTS  
MOUNTAIN VIEW MARKET AREA<sup>1</sup>  
JANUARY 2001**

No.	Project/ Location	City	Number of Rooms	Meeting Space (Sq. Ft.)	Status	Comments
8	Courtyard Marriott 4320 El Camino Real	Los Altos	190	1,500	Plans have been approved. Building permits are under review.	Limited service hotel. There was an existing motel on the site that has been demolished.
9	Adobe Inn Stevens Creek between Deana Blvd. and Torre Ave.	Cupertino	77	400	Application approved August 2000. Building permits not yet issued.	Three-story hotel with 82 parking spaces.
10	Unnamed project SE corner of Deanza Blvd. & Stevens Creek	Cupertino	200	2,600	Application approved early 2000. Building permits not yet issued.	Kimpton Group is the sponsor of the proposed eight-story hotel. Kimpton typically operates upscale, European-style hotels.
11	Tasman Courtyard Marriott Tasman Dr. & Great American Parkway	Santa Clara	225	None	Early planning stages.	Limited service hotel. Parking at 2600-space lot across Tasman Dr. next to Convention Center.
<b>Total Planned Rooms and Meeting Space:</b>			<b>1,636</b>	<b>31,000</b>		
<b>Portion Under Construction:</b>			<b>271</b>	<b>1,500</b>		
<b>Portion with Building Permits (but not UC)</b>			<b>0</b>	<b>0</b>		
<b><u>Notes:</u></b> (1) Includes Mountain View, Redwood City, Menlo Park, Palo Alto , Sunnyvale, Santa Clara, Cupertino, Los Altos, and East Palo Alto.  Sources: City planning departments; developers; and Sedway Group I:\Everyone\SF_BOXES\Lisa_G\Mountain View Files for PDF\[MVHotelData Ex 3.xls]P & P[CJD]						

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